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IN SENATE

OF

## THE UNITED STATES,

JANUARY 25, 1819.

The Committee on Finance, to whom was referred a resolution to inquire into the expediency of prohibiting by law, the exportation of the gold, silver, and copper coins, of the United States

## REPORT:

That the measure contemplated in the resolution, intimately connecting itself with the fiscal concerns of the nation, the committee, through their chairman, addressed a note to the Secretary of the Treasury, requesting his opinion of the propriety of adopting measures for the attainment of the object in contemplation, from whom they received in reply, a communication which accompanies this report, with the arguments and opinions expressed in which those of your committee substantially correspond.

Of the inefficacy, if not entire impotence, of legislative provisions to prevent the escape of the precious metals beyond the territorial limits of the government, the history of all countries, in which the power of legislation has been thus exercised, bear testimony. And if all the efforts of arbitrary power in despotic governments; if regulations dictated by the most cautious and jealous policy, guarded by penalties and punishments the most cruel and sanguinary, and enforced with a rigor which knows no mitigation, have been in vain; what hope can be indulged that a government like ours, the genius and spirit of which breathes mildness and moderation; a country in which cruel and unusual punishments are unknown, could find the means of obtaining, by this mild spirit of legislation, this desirable end? Indeed, no error seems more entirely renounced and exploded, if not by the practice of all nations, at least in the disquisitions of political economists, than that which supposed that an accumulation of the precious metals could be produced in the dominions of one sovereign, by regulations prohibiting their exportation to those of any other. The evils resulting to the community from a scarcity or too small a portion of the precious metals, seem to your committee to be too deeply seated to yield to any remedies within the competency of legislation to afford. It is a malady which admits of no cure but that of time, patient industry, and persevering economy.

As long as the balance of trade is against us, so long will a constant efflux of the precious metals be required for the discharge of such balance.

From this axiom in commerce, the correctness of which, it is believed, never was questioned, it follows: that it remains with the people themselves, to adjust this balance, and to produce a preponderance in favor of our own country. Highly favored as they are, by the bounty of providence; blessed with a country of unparalleled fertility; with soil, climate, and situation, almost infinitely diversified; with capacities of rivaling every quarter of the globe, in the agricultural productions, as well as in the perfection of their manufactures, raw materials for which are so abundantly furnished them within the bosom of their own country; aided by a moderate and wise economy, in a limited enjoyment of foreign luxuries; with these advantages, duly appreciated, and fully improved, to what elevated condition in their intercourse with foreign nations may they not aspire? To the protection of our domestic manufactures, by the imposition of duties on foreign importations, the national government seemed to have gone as far as sound policy would warrant or permit. The present tariff having been framed with a view as well of raising the requisite supply of revenue for the support of government, as by the amount of the duties imposed on foreign articles of manufacture, to enable our own manufacturer of similar articles to meet the importer of such foreign manufactures in our own market, on terms of fair and equal competition.

Further than this, it would seem to your committee, the Congress of the United States ought not to go. To commercial enterprise; to the sagacity of this class of the community, sharpened by the keen sense of interest, and enlightened by long experience, it should be left to explore the old, or seeking new channels of commerce, find out the most profitable markets for the productions of our native and domestic industry, and to bring us in exchange, such of the productions of foreign climates and of foreign labor, as our citizens are willing to purchase. In short, it is the opinion of your committee, that commerce is always destined to flourish most where it is permitted to pursue its own paths, marked out by itself, embarrassed as little as possible by legislative regulations or restrictions.

From these considerations your committee are directed to recommend the adoption of the following resolution:

*Resolved.* That it is not expedient for Congress to adopt any regulations for preventing the exportation of the gold, silver, or copper coins of the United States.



## TREASURY DEPARTMENT,

*December 29th, 1818.*

SIR,

In reply to your letter, enclosing the resolution of the Senate of the 2d instant, instructing the committee of finance "to inquire into the expediency of prohibiting the exportation of the gold, silver, and copper coins, of the United States," I have the honor to state: that from the best consideration which I have been able to bestow upon the subject, it would be inexpedient to adopt the measure at this time: 1st, because it cannot be rendered effectual, and 2d, that so far as it may be rendered effectual, it will operate in favor of the corrupt part of the community, and injuriously to the fair and conscientious merchant. The latter position is so manifestly true, that no argument will be offered in its favor.

In support of the first position, the experience of other states, furnishes the most irrefutable evidence. During the dark ages, and those which immediately followed the revival of letters, arts and commerce in Europe, the exportation not only of the current coin of the respective states, but of the precious metals generally, was prohibited under the most sanguinary penalties. This general prohibition, yielding to the progress of reason, and to the advancement made in the science of political economy, during the seventeenth and eighteenth centuries, has been gradually reduced in most of the states of modern Europe, to the gold and silver coins of the respective states. According to the testimony of the most enlightened men of every state, for the last century, the absolute inefficacy of this modified prohibition, as a permanent measure, has been satisfactorily established.

By the immutable laws of commerce, the exportation of the precious metals must necessarily depend upon the general balance of trade, in despite of any municipal regulation, which human ingenuity can devise, or human power execute, short of wresting from individuals the possession of it. As a general principle, it may be safely asserted, that the state which imports merchandise to a greater amount than it exports, must pay the balance in the precious metals. In free states, where public credit is firmly established, and monied institutions founded upon just principles, and wisely administered, it is admitted that balances may be for some time adjusted without the aid of specie, by transferring to the creditor interest bearing securities, such as funded debt and bank stock. It needs, however, no effort of reason to determine that this means of adjusting balances, must not only be limited in its extent, but injurious to the party which resorts to it, as it uniformly tends to increase and perpetuate

the balance to the extent of the interest which is annually payable to the creditor.

But it may possibly be contended, that however inefficient the measure may be, as a permanent regulation, yet there are conjunctions in the affairs of every state which not only justify, but imperiously require its temporary adoption.

It cannot be denied that the history of our own government strongly countenances this distinction. During the embargo of 1807-8, and that of 1812, the exportation of specie of every description was rigidly prohibited by law. Admitting, for the purposes of this inquiry, the correctness of this decision, it may be proper to determine whether our political or commercial relations with foreign states, or our internal affairs present a case, which calls for the temporary adoption of the measure. According to general appearances, it is believed that our relations with foreign states have at no period of our national existence furnished less cause for inquietude.

The vexations to which our commerce was subjected by the principal belligerent nations, prior to the commencement of the late war; its almost total suspension during the war, and the irregularities and vicissitudes incident to its resumption, on the return of peace, have doubtless produced the most serious embarrassments and losses. At this time, however, there is just reason to believe that these irregularities have ceased; that commerce has resumed its customary channels; and that the enterprising and prudent merchant will hereafter enjoy fair and reasonable profits. The rate of exchange between this country and the commercial states of Europe, is a sufficient security against the exportation of the gold and silver coins of the United States to those states. The exportation of specie to the East Indies is the only circumstance connected with our commercial intercourse with other states, which can be supposed to require the temporary prohibition of the exportation of the current coin of the United States. It is believed that this trade has been prosecuted more extensively by the merchants of the United States, since the late war than anterior to that period. The extent to which it will be prosecuted in succeeding years, will depend upon the extent to which sales can be profitably made of the articles imported, and the practicability of obtaining the necessary amount of specie for its prosecution. Should the civil war which has for sometime existed between Spain and the independent governments in the Spanish American provinces, be prosecuted for any considerable time longer, it is probable that there will be a general appreciation of the precious metals in the civilized world, and that the drain to the East Indies may not only be greatly diminished, but that they may be imported from thence into Europe, and the United States. But there is no rational probability that in either event, the pressure upon the community which has produced this inquiry, will be temporary in its nature, or that it will yield to any temporary legislative expedient. It will be removed only when our importations shall be reduced below our ex-



portations of merchandise to a greater extent than the amount of specie exported to the East Indies. Until this shall be the case, the pressure will continue, even should the quantity of the precious metals in general circulation be greatly increased. Whether the quantity be great or small, no part of it will permanently remain in a state against which there is an annual balance of trade, unless the coin of such state should be so adulterated as to destroy its currency. If these views be correct, we must look to the state of our internal affairs for circumstances which may justify a temporary prohibition of the exportation of the gold and silver coin of the United States. That the currency is disordered; and that much embarrassment is felt in the fiscal transactions of the government, has been stated in the annual report of the Treasury. In the spring of 1817, the principal banks in the commercial cities, in conjunction with the bank of the United States, resumed specie payment. Their example was ostensibly followed by the immense number of local banks established in the interior of the Atlantic states. In the western states, specie payments were also resumed by the bank established before the refusal to pay specie in 1814.

In making the effort to restore the currency to an equality with gold and silver, the banks were seconded by the community, which manifested a laudable forbearance to demand specie for the bank notes, which formed the general circulation. This forbearance however, could not be expected to continue, after the banks had had time to regulate their paper in circulation, according to the quantity of specie in their vaults. In the meantime, the bank of the United States and some of the state banks, made considerable efforts to import specie. The exportation of it during the same period has, it is believed, been equal, if not greater than the importation by the banks and by individuals. It is presumed, that the banks will not continue their exertions to import specie, but leave that to be effected by the commercial interest, which alone can bear the expense; but which will certainly not do it, so long as it shall be done by the banks. When the banks cease to import, they must withdraw their paper from circulation to a very great extent, or stop payment. The demand for a circulating currency must be made imperious, before it will be imported to any considerable extent by the commercial interest. It is only when gold and silver shall form a large proportion of the circulating medium of the nation, that the currency can be said to be sound. Since the resumption of specie payments in the spring of 1817, this has not been the case. What specie there was in the country, has remained in the vaults of the banks, until it has been drawn by the brokers, to be sold to the exporting merchant. It has not entered into the general circulation; and there is just reason to fear, that much time will elapse before it does. What was the result of forbearance in the first instance, has been effected since, by the operations of interest, or of fear. If specie could be freely drawn by the exporting merchant, from the vaults of the banks at par, he would not pay the brokers 8 or 10 per. cent premium.

Bank stock, especially in the eastern, middle, and some of the western states, forms so great a portion of the property of the wealthy, and influential classes of society, that the interest of the banks, is that of the whole community. The exporter of specie, has therefore to choose between the hostility of the community, and the payment of a premium upon the specie which he exports. There is even just reason to apprehend, that where banks shall stop payment, they may be permitted by public opinion, in some parts of the union, to continue to circulate their notes. Should this apprehension be realized, and the evil should be extended to different sections of the country, the currency could not fail to be vitiated in an extreme degree, unless the national or state governments should adopt measures necessary to repress it. Against evils of this nature, the prohibition of the exportation of the gold and silver coins of the United States, would furnish no relief. Nor is it conceived, that this measure can in any degree repress or alleviate the sufferings of the community, resulting from the excessive multiplication of banks, and consequent inundation of bank paper, which it was manifest, could not be converted into specie, at the will of the holder. If the banks shall be constrained by law, by public opinion, or by a correct knowledge of their true interest, to stop their discounts, when they cease to discharge their notes in specie when demanded, and confine their exertions exclusively to the collection and payment of their debts; the evils which now oppress society, will be gradually diminished, and the currency every where will become equal to gold and silver. But during this process, and after it shall be terminated, property of every description will be greatly diminished in value. And especially that which is fixed and permanent in its nature. In the liquidation of the existing debts, the relation of debtor and creditor will be sensibly changed in favor of the latter, who will be paid in money of greater intrinsic value, than was received by the former. But this is an evil which necessarily results from fluctuations in the currency of every state, and cannot be charged upon the government, which in the present case, will be most seriously affected.

It is however conceived, that a paper currency founded upon a metallic basis, is more liable to sudden and violent fluctuations than one which is purely metallic. In the present state of the precious metals, in general circulation, a metallic currency it is confidently believed, could not be simultaneously resumed by the different states of the civilized world. We are then compelled under existing circumstances, to continue a paper currency, founded upon a metallic basis, with all its liability to sudden and violent fluctuations, aggravated by the circumstance, that more than twenty different sovereignties claim and exercise the right of increasing, ad libitum, that currency through the instrumentality of banking institutions. These circumstances together with the drain of specie, produced by the East India trade, present the most serious obstacles to the preservation of the currency at an equal value to gold and silver. These ob-



stacles now exist in, perhaps, their greatest force. The practicability of preserving the convertibility of bank notes into current specie, under circumstances, so extremely adverse, is in a fair course of experiment. Whatever may be the result of this experiment, until it is obtained, no legislative interference is conceived to be necessary, except for the enforcement of the obligation on the part of the banks to discharge their notes in specie, when demanded. This can be most certainly effected by considering, and punishing as an act of bankruptcy, any attempt on the part of a bank to circulate its notes, whilst it refuses to discharge them in specie, or the notes of other banks in the same situation.

I have the honor to be,

Sir, very respectfully,

Your most obedient servant,

WM. H. CRAWFORD.

*The Hon. J. W. Eppes,  
C. C. of Finance.*

